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SUBJECT: GALILEO IDENTITY CRISIS: A FERRARI BUILT TO
DELIVER FISH

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[1](#)B. 08 BERLIN 315
[1](#)C. 08 BERLIN 897
[1](#)D. 08 MUNICH 409

Classified By: Global Affairs Unit Chief Don L. Brown for
reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY AND COMMENT: Galileo, the EU's Global Navigation Satellite System (GNSS), is in the midst of a 3.4 billion euro identity crisis as political advocates downplay Galileo's advertised role as a pillar of Europe's national security and instead spotlight the system's civil and economic benefits to the EU. However, industry uniformly sees no civil need for Galileo, emphasizing that their position, navigation, and timing (PNT) requirements are already being met by the US Global Positioning System (GPS). In reality, we assess that Galileo's primary importance to the EU is twofold: first, to achieve GNSS independence as a national security measure; and second, to prevent the failure of the EU's largest-ever technical project. It would be politically difficult for the EU to admit this publicly, as the system has always been billed as a non-military civil system and is now being funded by European Community and European Space Agency (ESA) funds.

[1](#)2. (C) The 7th Annual Munich Satellite Navigation Summit, held March 3-5, focused on worldwide GNSS developments with particular emphasis on the Galileo program. Key Galileo-specific themes illuminated at the conference included: Galileo's path forward in the midst of the worldwide financial crisis, the response from government and industry regarding uses of Galileo signals, legal issues related to Galileo's services, and the ever-present frequency overlap issue between Galileo and China's competing COMPASS system. This is the first of a series of cables covering the 2009 Munich Satellite Navigation Conference. This cable concentrates on political and programmatic issues surrounding Galileo and follow-on cables will address more focused GNSS topics discussed at the conference. END SUMMARY AND COMMENT

DESPITE FINANCIAL CRISIS - GALILEO PRESSING FORWARD

[1](#)3. (C) Galileo is entering its final phase - Full Operational Capability (FOC) - and with the 3.4 billion euro for this phase's completion in place, the program is, for the time being, in a stable economic position and seemingly

unaffected by the financial crisis. However, recent budget and schedule overruns in Galileo's In-Orbit Validation (IOV) phase (the current phase) and delays awarding the FOC phase contracts have left the program with absolutely no schedule or budgetary breathing room. (COMMENT: According to open source reporting, renegotiation of Galileo's IOV phase has caused a 358 million euro cost overrun which is eating up a large portion of Galileo's 428 million euro contingency reserve. END COMMENT) In the opening plenary session, Martin Zeil, Bavarian Minister of Economics Affairs, emphasized that 2009 is a critical year and that "we can not afford any more delays" if they are to hold their competitive edge over India and China.

14. (C) The resounding theme at last year's conference was the inflexible European Parliament-imposed 3.4 billion euro FOC budget and hard 2013 deadline for Galileo completion. These objectives are looking increasingly unattainable and have led some in Galileo circles to suggest a "Galileo-light" version that would offer fewer services and signals in an effort to salvage the program should schedule and budgetary restrictions prove too great to overcome. To this suggestion, Fotis Karamitsos, European Commission (EC) Director-General for Energy and Transport, replied that this would be a mistake and said "in these times of economic crisis we must deliver all Galileo services and signals" and he emphasized their importance to the European downstream applications market.

PRS AND CS - GALILEO CORNERSTONES UNDER DISTRESS

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15. (C) Galileo's Public Regulated Service (PRS) and Commercial Service (CS) are under distress due to lower than expected customer demand and the lack of a robust legal framework. PRS faces additional challenges regarding the mechanics of PRS under civilian control, given that the military is the primary end-user. Particularly important, we note that a frequency overlay between Galileo and China's COMPASS system could degrade localized PRS use if COMPASS signals were jammed by a malicious entity. PRS is an encrypted signal designed to be resistant to interference and malicious jamming and is intended for use by European governmental agencies, including the military (primary) and law-enforcement. CS offers two encrypted signals aimed at market applications in a pay-for service arrangement. Galileo officials are hopeful that the income resulting from its CS will help recapture at least some of Galileo's operational and development costs.

RESPONSE FROM INDUSTRY - OUR CUSTOMERS DO NOT NEED GALILEO

16. (C) The resounding theme from industry was that they are not anticipating a strong demand for Galileo services. Their view is that as far as navigation and location services go, GPS fills the bill. Dr. Frank van Diggelen, Technical Director at GPS Systems Broadcom Corporation, said that over 99% of GNSS devices sold today only incorporate GPS's L1 signal for the simple reason that it gives users what they need and keeps costs down. Greg Turetzky, SiRF Technologies Inc. Director of Marketing for New Product Technology and IP, said very frankly, "the race is over in mobile phone and GPS wins" - "the GPS L1 signal will remain the paramount signal in the future."

17. (C) Van Diggelen said the trend in chip manufacturing is to integrate more services on one chip (Blue Tooth, WiFi, L1, FM), not more GNSS signals. Van Diggelen did acknowledge that there is a small market for increased GNSS integration, particularly in urban areas, but which signal to integrate would be a function of associated hardware cost. He said systems like Japan's QZSS regional GNSS and Russia's Glonass are good candidates because the increase in hardware complexity is not significant. However, he said that integration of the Galileo signal would drive hardware costs

up by a factor of eight - something not appealing to industry or consumers.

ARE WE BUILDING A FERRARI TO DELIVER FISH?

18. (C) Galileo's identify crises was perhaps best summed up by Giuseppe Viriglio, ESA Director of Telecommunications and Navigation, when he stated, "I am afraid that we are building a Ferrari to transport fish - this is not good for the Ferrari nor the fish." Viriglio added, "Galileo is being delivered with the assumption that PRS is a real benefit to the user community, but in my mind there is no market (for PRS)." Viriglio said that because the open market is not asking for Galileo, he is personally asking the EU Commission to definitively demonstrate a way that Galileo can be a "real value" to the user community.

COMMENTS

19. (C) Galileo has likely hit the political point of no return but despite all of the budgetary, technical, and schedule obstacles it faces, the EU will probably keep the Galileo train rolling for the time being. Politically, the Galileo program is in a real bind, given the fact that Galileo was always billed as a civilian-only system, yet the only customers championing its completion are from the European military and defense sector. This begs the question: is the EU ready to come clean and simply admit that Galileo is required for national security? The other three major GNSS providers--GPS, Glonass, and COMPASS make no qualms about this and freely admit that these systems are first and foremost for national security. Otherwise, if not for national security reasons, the EU might be building a Ferrari designed to deliver fish.
Koenig